

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Review, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 2
AND NOTICE OF FILING UNDER SEAL

(Issued January 6, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 13, 2023.

Domestic Competitive Products

1. See attachment under seal.
2. See attachment under seal.
3. See attachment under seal.
4. See attachment under seal.
5. See attachment under seal.
6. See attachment under seal.

¹ United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

7. In the preface of Library Reference USPS-FY22-5, the Postal Service states “expenses associated with the fulfillment of COVID-19 Test Kits were reallocated and were treated as institutional costs (i.e., not attributable to any Market dominant or competitive product or products).”² Please explain the rationale for treating costs associated with the delivery of COVID-19 Test Kits as institutional costs.

Periodicals

8. Please refer to the Postal Service’s Notice and Responses to CHIR No. 1 in Docket No. R2023-1.³ The Postal Service states that “to improve the operational efficiency for processing of bundles at different presort levels in sacks, the Postal Service is proposing to move the bundles volume in sacks entered at Origin, [Destination Network Distribution Center (DNDC)], and [Destination Area Distribution Center (DADC)] to presort in [Mixed Area Distribution Center (MADC)] containers entered at Origin with container fee waived.”
- a. Please confirm that Outside County Periodicals revenue is a function of pound prices, piece prices, bundle prices, and container prices. If not confirmed, please explain.
- b. Please confirm that when the sacks container fee is waived as presented in the R2023-1 Notice, total Outside County Periodicals revenue will be reduced because the diminished revenue from waiver of the sacks container fee outweighs the additional revenue derived from higher MADDC bundle prices. If not confirmed, please explain.

² Library Reference USPS-FY22-5, December 29, 2022.

³ Docket No. R2023-1, United States Postal Service Notice of Market-Dominant Price Change October 7, 2022, at 23 (R2023-1 Notice). See also Docket No. R2023-1, Responses of the United States Postal Service to Chairman’s Information Request No. 1, October 20, 2022, question 8 (Response to CHIR No. 1).

- c. In its Response to CHIR No. 1, question 6.d., the Postal Service states “[f]or the past decade, the Postal Service has discouraged the use of Sacks. Sacks are expensive to maintain, difficult to process, and result in higher rates of Bundle breakage. The Postal Service has raised the Sack minimums, introduced the Mixed Pallet, and increased Sack prices to encourage customers to use alternatives to Sacks.” Please discuss how the reduced revenue from the sacks pricing structure change is balanced by reduced costs.
- d. Outside County Periodicals are a non-compensatory product in a non-compensatory class. See FY 2022 ACR at 40. Please discuss the expected impact of the sacks pricing structure change on the cost coverage of Outside County Periodicals.

Post Office Boxes

9. Please fill in the table below with the overall number of Market Dominant, Competitive, and Total Post Office Boxes available (number of boxes) for FY 2018 through FY 2022:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Market Dominant PO Boxes					
Competitive PO Boxes					
Total PO Boxes					

10. Please fill in the table below with the overall number of Market Dominant, Competitive, and Total Post Office Boxes locations available (number of facilities) for FY 2018 through FY 2022:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Market Dominant PO Box Facilities					
Competitive PO Box Facilities					
Total PO Box Facilities					

11. For FY 2022, please provide the number of Market Dominant and Competitive Post Office Boxes by their relevant geographic designations (urban, suburban, rural, etc.) by both number of boxes and number of facilities. Please confirm these totals match the Postal Service's responses in questions 9 and 10.
12. Please fill in the table below with the number of Market Dominant, Competitive, and Total Post Office Boxes that had been purchased by customers for FY 2018 through FY 2022:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Market Dominant PO Boxes					
Competitive PO Boxes					
Total PO Boxes					

13. Please fill in the table below using the numbers provided in the Postal Service's responses to questions 9 and 12 indicating the occupancy rate of Market Dominant, Competitive, and Total Post Office Boxes (Question 12 (purchased boxes) / Question 9 (number of boxes)):

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Market Dominant Occupancy Rate					
Competitive Occupancy Rate					
Total Occupancy Rate					

14. Please refer to the Postal Service's Response to question 9 and specifically the change in the number of Competitive Post Office Boxes between FY 2021 and FY 2022.
- Please calculate and provide the change in the number of Competitive Post Office Boxes between FY 2021 and FY 2022.
 - For the change in the number of Competitive Post Office Boxes between FY 2021 and FY 2022, please indicate how many Post Office Boxes were transferred to the Competitive Post Office Box Service product from the Market Dominant Post Office Box Service product versus how many were added in areas that qualify as having competition.
15. Please confirm that the Postal Service reviews the proximity of Post Office Box locations to competitor locations and describe the process of review, how often it occurs, and whether the Postal Service would move a Post Office Box location from the Competitive Post Office Box Service product to the Market Dominant Post Office Box Service product if that location was found to no longer be meeting the definition of Competitive Post Office Box Service in the MCS.⁴ If not confirmed, please explain why not.

⁴ See Mail Classification Schedule, section 2640.1, available at <http://www.prc.gov/mail-classification-schedule>.

16. Please refer to the Group E category of Post Office Boxes.⁵
 - a. Please identify the number of Group E Post Office Boxes available for use by Postal Service customers.
 - b. Please identify the number of Group E Post Office Boxes being used by customers in FY 2022.
 - c. Please clarify whether Group E Post Office Boxes exist at both Market Dominant and Competitive locations. If Group E Post Office Boxes exist at both Market Dominant and Competitive locations, please specify how many of the boxes identified in question 16.b. are at Market Dominant locations and how many are located in Competitive locations.
17. Please discuss any plans the Postal Service has for either Market Dominant or Competitive Post Office Boxes in FY 2023. Specifically, in the response, please include any plans the Postal Service has in the following areas:
 - a. Reviewing, reducing, and addressing costs.
 - b. Increasing revenues.
 - c. Reviewing and reassigning offices between the Market Dominant and Competitive Post Office Box Service products.
 - d. Offering, eliminating, or otherwise changing value added service features.
 - e. Deploying new marketing or advertising strategies.
 - f. Increasing transparency with customers.

By the Chairman.

Michael Kubayanda

⁵ See Mail Classification Schedule, section 1550.3 and 1550.4, available at <https://www.prc.gov/mail-classification-schedule>.